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INCOMING TELEGRAM Department of State

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JANUARY WILL SEE BEGINNING PHASE OUT FINAL 15 PARTIALLY AID FINANCED AMERICAN CONTRACT ADVISERS IN LIBYA. BY JUNE ALL BUT FOUR WILL HAVE LEFT. IN ABSENCE SOME MAJOR CHANGE LIBYAN OR US POLICY, WE WILL BY END OF YEAR BE ALMOST WITHOUT DIRECT INFLUENCE AND OPPORTUNITIES NOW PROVIDED BY PRESENCE US CITIZENS IN LIBYAN DEVELOPMENT PROCESS.

UNDERSECRETARY PLANNING ALI ATTIGAH ON NOV 20 STATED HE WOULD LIKE CONTINUE CITY PLANNERS AND ADVISERS WORKING ON NEXT FIVE YEAR PLAN FOR FURTHER PERIODS UP TO TWO YEARS.

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WHILE SOME ADVISERS HAVE THEMSELVES MIXED FEELINGS ABOUT REMAINING SEVERAL HAVE MADE POINT TO ME OF VALUE, FROM PRECLUSIVE STANDPOINT AND FROM STANDPOINT VALUE BRINGING US EQUIPMENT AND SERVICES ATTENTION LIBYANS, HAVING US CITIZENS IN PLANNING AND INDUSTRY MINISTRIES IN COUNTRY ANTICIPATING LARGE DEVELOPMENT EXPENDITURE. BOTH WEST GERMAN AND CHINESE NATIONALIST AMBASSADORS HAVE URGED WE CONTINUE TOPPING OFF PROCEDURE IN ORDER PRECLUDE FURTHER YUGOSLAV EXPANSION LIBYA.

WE MENTIONED ATTIGAH OUR EXPECTATION THAT GOL WOULD ASSUME CONTRACTS THOSE IT HAD FOUND OF VALUE. HE REITERATED ESSENTIAL PROBLEM WE HEAR FROM ALL SOURCES. US ADVISERS AT LEVEL AND QUALITY REQUIRED ARE TOO EXPENSIVE AND IN MINISTRY WHERE HE HAD 28 NATIONALITIES AND PAYS ON UN SCALE WITH MAXIMUM TOTAL REMUNERATION $20,000 INCLUDING EVERYTHING, HE CANNOT AFFORD PAY MORE. IN CONTRAST, ILLINOIS INSTITUTE TECHNOLOGY ASKING APPROXIMATELY $35,000 PER MAN FOR NEW CONTRACT, THOUGH THIS INCLUDES SOME BACKSTOPPING SERVICES. BY COMPARISON, LIBYA HAS AGREEMENT WITH YUGOSLAVIA PROVIDE UP TO 400 EXPERTS AND TECHNICIANS OF ALL KINDS (OF WHOM 168 ALREADY IN COUNTRY) AT MAXIMUM OF $14,000 PER MAN.

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-2-399, November 23, from: Tripoli

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WE APPRECIATE CONGRESSIONAL AND EXECUTIVE POLICY HAVE DETERMINED THERE SHALL BE NO FURTHER NEW USG ECONOMIC ASSISTANCE FUNDS EXPENDED IN LIBYA. WE FEEL, NEVERTHELESS, OUR RESPONSIBILITY FOR PURSUIT US NATIONAL INTEREST IN LIBYA REQUIRES WE BRING MATTER ONCE MORE TO ATTENTION DEPARTMENT IN CONTEXT FINAL TERMINATION OUR SUBSTANTIAL CONTRIBUTION TO THIS COUNTRY WHERE WE CONTINUE HAVE IMPORTANT PRIVATE AND OFFICIAL INTEREST.

IT HAS BEEN OUR UNDERSTANDING ON BASIS AID STATEMENTS TO CONGRESS TO IMPRESS LAST YEAR THAT FURTHER SELECTIVE AID CONTRIBUTIONS MIGHT BE POSSIBLE. WE HAVE FURTHER UNDERSTOOD THAT IF OIL COMPANY FOUNDATION IDEA DID NOT MATERIALIZE IN MANNER WHICH WOULD MEET NEEDS, AID WOULD RECONSIDER ITS POSITION. WE SEE NO EVIDENCE HERE OIL COMPANY FOUNDATION IDEA HAS ANY LIFE NOR THAT, IF IT DID, IT WOULD MEET PARTICULAR NEEDS MINISTRY PLANNING OR INDUSTRY. IF, HOWEVER, USG DECISION AGAINST FURTHER TOPPING OFF ASSISTANCE LIBYA FIRM, WE SUBMIT FOLLOWING POSSIBLE ALTERNATIVE FOR CONSIDERATION APPROPRIATE AGENCIES:

WE ARE CURRENTLY PAYING LIBYA $1 MILLION ANNUALLY UNDER AGREEMENT OF 1959. (FROM AIR FORCE FUNDS TRANSMITTED AS ECONOMIC ASSISTANCE). THESE FUNDS CURRENTLY GO INTO GENERAL FUNDS GOL.

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AND WE REAP NO DIRECT BENEFIT, OTHER THAN PARTIAL RENT FOR WHEELUS. IF DEPARTMENT AND OTHER AGENCIES BELIEVE FEASIBLE, WE WOULD BE PREPARED DISCUSS WITH PRIMIN, FONMIN AND OTHERS AND PERHAPS SUBSEQUENTLY TO SUBMIT FORMAL PROPOSAL THAT NEXT PAYMENT (DUE EARLY 1966) BE UTILIZED IN CLOSE COOPERATION GOL FOR CONTRACTS WITH PRIVATE US FIRMS FOR ADVISERS IN GOL. WE WOULD ANTICIPATE AID MACHINERY WOULD BE UTILIZED FOR CONTRACTING PURPOSES AND THAT, PERHAPS, TO MAKE IDEA ATTRACTIVE TO GOL, WE MIGHT ASSURE ADMINISTRATIVE COSTS.

WE HAVE NO IDEA THIS WOULD BE ACCEPTABLE TO GOL; THERE IS ALWAYS RISK THEY MIGHT BELIEVE WE ARE SEEKING RENEGE ON 1959 AGREEMENT, ALTHOUGH WE BELIEVE THIS CAN BE PRESENTED IN MANNER MINIMIZE SUCH RISK. BRITISH SUBSTITUTION OF TECHNICAL AND TRAINING SERVICES FOR SUBSIDY PROVIDES PRECEDENT.

WOULD APPRECIATE DEPT'S COMMENTS. GP-3. NEWSOM
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